

Gary Swain
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Water and Sewerage Taskforce

Dear Gary

Response to “Future Regulation of the Tasmanian Water and Sewerage Sector - Part A Proposed Position Paper”

Please find attached Hobart Water’s general comments in relation to the Paper released on the 30 November 2007 and subsequent workshop held on the 17 December 2007.

Thank you for the opportunity to respond. Please feel free to contact Cam Crawford on 62 33 3985 if you have any questions or wish to seek further information.

Kind regards

Dr Christine Mucha
Chief Executive Officer

Hobart Water Response to:

“Future Regulation of the Tasmanian
Water and Sewerage Sector - Part A
Proposed Position Paper”

8 January 2008

1 Overall Principles of Paper

In general, the building blocks of good regulation have been identified by the *Future Regulation of the Tasmanian Water and Sewerage Sector - Part A Proposed Position Paper* (the Paper); however Hobart Water has found it difficult to critique on specific technical aspects due to the Paper's very high level discussion. Hobart Water looks forward to responding to the detail of Part B.

While there is no doubt that regulation is important, Hobart Water recognises that a significant step change in infrastructure management is needed to bring required water and sewage services up to an acceptable standard, comparable with that of other mainland water authorities.

It is hoped that a robust yet simple regulatory framework will be developed, allowing and enabling the effective delivery of on-ground improvements required to meet community expectations.

2 Key Issues.

2.1.1 Levels of Service.

Hobart Water believes that it is imperative that the community is engaged to determine appropriate and acceptable levels of service, and therefore develop a clear understanding of the costs of delivery of the determined Level of Service. It is critical that this process is commenced early so as to guide the development of appropriate regulation and strategic asset management plans.

2.1.2 Technical Standards and Guidelines

There is a large body of technical information published by bodies such as ANZECC, WSAA and NHMRC available to inform water and wastewater managers. This information would be highly valuable in scoping regulatory requirements. Guidelines such as recreational and drinking water guidelines provide not only recommended targets but also frameworks for management and valuable advice to manage public health and environmental risks.

2.1.3 Economic Development and Funding

Some infrastructure development may be required to be undertaken immediately, however the full capacity of that infrastructure may not be realised for a number of years. This development requirement may be due to policy decisions and economic development strategies. While a proportion of the cost of such development may be recovered through Headworks Charges, there will be a component of the capital cost that may need to be carried over a period of time by the business. There will need to be a clear and transparent process to deal with such investments through the economic regulator. Further, there may need to be distinction on returns expectations between existing and new assets.

2.1.4 Water Quality Management.

Water quality management is recommended in the Australian Drinking Water Guidelines to be based on sound risk assessment, rather than a regulatory focus on monitoring results. Monitoring does not protect consumers but it provides a validation that the protection measures in place are working. It would be preferable to see the regulatory review promote a risk management approach rather than compliance based approach

2.1.5 Potential omissions.

Storm water, trade waste agreements and recreational water management do not seem to be discussed in this regulatory review. These are key aspects which will require careful management.

2.1.6 Customer definition.

Customers are poorly defined and while the goal of interface with customer / consumer groups is acknowledged the mechanism for engagement is not clear. This issue is clearly linked to the notion of Levels of Service, however it is important that the different needs (product specifications and service) for different customer groups are recognised; for example industry or people with special needs such as dialysis patients.

3 Specific Comments: Section 3.1 & 3.2

3.1.1 Catchment Management

A discussion regarding Hobart Water's position is attached in Appendix 1, however the discussion on page 16 of the Paper regarding roles needs some clarification. There is currently no "regulatory governance arrangements" in relation to drinking water catchment management other than by reference through the Australian Drinking Water Quality Guidelines (ADWG), administered by DHHS. Natural Resource Management (NRM) offers a strategic view on NRM objectives and targets, however it is not integrated into planning or has "teeth" through statutory roles in catchment management and protection.

While Hobart Water has found that a commitment to active stakeholder management and the implementation of Catchment Management Plans has been very successful, Hobart Water agrees with the need to undertake a review of regulatory/governance arrangements in relation to catchment management.

3.1.2 Water Quality

Figure 3.1 on page 13 should include a line from water quality regulation to bulk collection/supply.

In addition, a heavy handed focus on enforcement of non-compliance is not the recommended approach (Table 3.1 - Page 18). It may be preferable to promote the adoption of the 12 element framework for drinking water management in the ADWG which focuses on risk management rather than monitoring and punishing non-compliance.

3.1.3 Environment

Page 18 discussion should include onsite disposal regulation. There is already a comprehensive suite of regulations and guidelines in relation to public health and environmental management, however it is suggested that the issue of enforcement by the regulators is hampered more by their lack of funding and resourcing.

3.1.4 Land Use Planning

Figure 3.1 shows a simple dotted line to Economic (price) Regulation. While there is significant "grey" in relation to the interrelation of land use planning and current water and wastewater regulation, it should be stated that Land Use Planning has an impact on all elements of the cycle shown.

4 General Structural Options Presented: Section 3.3

4.1 *IPART Model and Operating Licence*

The IPART model and Operating Licence has been in existence for some time and is generally accepted in the Australian water industry.

It was reassuring in the Workshop on the 17 December 2007 to see the simplified chart showing the relationship between service provider, economic regulator and policy coordinator. The proposed model on page 21 of Part A showing a much larger number of regulators and policy providers directly interfacing with the Operating Licence would have a number of issues and present a great deal of uncertainty to the service provider and community on transparency and accountability.

This model also faces the risk of blurred lines between policy and regulation, and therefore potentially presents further uncertainty and the spectre of “political” intervention in the ideally independent regulators role.

4.2 *Cost and Resource Implications*

While it is hard to comment on cost and gaps of the overall regulatory framework without the detail of Part B, undoubtedly there will be an increase in regulatory costs with the proposed model. However the benefits of the proposed model should ameliorate any increased costs to the community.

The significant “undercurrent” issue to the proposed framework is the relative capacity of State Government agencies to deliver regulation efficiently and effectively in areas outside of current competency – ie demand and supply planning.

The “learning” from other jurisdictions has been that systemic planning failures have largely been due to poor demand and supply planning and ineffective integration to strategic asset management planning. Anecdotally this has been due to Government Agency’s general inability to attract and retain the resources required to do this task effectively.

This is an issue across many jurisdictions in Australia, and has the potential to be considerably magnified in Tasmania due to the State’s relative size. It is clear that the most practical way forward is through a collaborative approach to resourcing these issues – with clear accountabilities between all levels of policy, regulation and service provider. We recognise that the system will need to “evolve” over time, so the critical issue is to build in enough flexibility and room for collaboration to enable this evolution.

4.3 *Customer Service Obligations (CSO’s)*

It is inevitable that there will need to be some allowance for customer service obligations, where some communities may not be able to pay the

full amount required for full cost recovery. CSO's need to be accounted for transparently, and set clearly in Social Policy from Government so the community, regulators and service providers understand the cost implications and responsibility for funding these issues.

4.4 Customer definition and requirements

It is recommended to break down the customer (Section 3.10 - Page 35) sector a little more in order to capture the particular needs of various customer sectors. For example the needs of industrial clients and householders can be quite different. While it may be inconvenient for householder to be without water for a day, an industrial client may lose millions of dollars of production in a day, for which the service provider may be liable.

4.5 Customer interface - Section 3.6 - Page 28

It would be preferable to have the service provider as a single point for all environmental and water quality complaints. This would reduce delays in rectification of faults and problems. There will need to be an appropriate set of "triggers" for notification of issues with the relevant regulators.

5 Appendix 1: Catchment Management

Hobart Water is keen to include catchment management as an issue in the Review. This is on the basis that fundamentally the quality and quantity of water sourced from a catchment has a direct impact on capital and operation costs for the business. Furthermore, water availability and quality impacts directly on the Level of Service delivered. This issue will only become more important with increased competition for arable lands and alternate uses and also potential climate change.

For example: Low yields or impacts in the Mt Wellington and Lake Fenton Catchments, which both supply high quality water requiring little treatment by gravity to Hobart, results in a greater reliance on Bryn Estyn Treatment Plant on the River Derwent. The Bryn Estyn Supply, while very reliable, requires full treatment and significant pumping to supply to the community of Hobart, and is therefore more expensive to supply.

In addition, poor quality water from a catchment may result in significant capital spend for new treatment options to ensure the delivery of quality water to the community of Hobart. This therefore has both a capital and OPEX implication for the cost per kilolitre of supply to the community.

It is due to these scenarios that Hobart Water has proactively adopted the methodologies incorporated within the Australian Drinking Water Guidelines and Australian Standard Risk Assessment practices and actively engaged with stakeholders to collaboratively address Drinking Water Catchment Management in Greater Hobart. The result has been the development and implementation of Drinking Water Catchment Strategies or Plans for Mt. Wellington, Lake Fenton, Risdon Brook and the River Derwent (these documents can be found on Hobart Water's website www.hobartwater.com.au).

These plans have adopted Australian Standard risk assessment processes to reinforce the ADWG multiple barrier approach (see figure below) to drinking water management, including the inclusion of Hazard Analysis and Critical Control Point (HACCP) systems, to define control measures which eliminate or reduce risk.

Hazard	Catchment				Treatment			
	Catchment	Buffer Strips	Storage	River	Sedimentation	Filtration	Disinfection	
Pathogens								
Protozoa	○	■	■	■	■	■	■	■
Bacteria	○	■	■	■	■	■	■	■
Turbidity	○	■	■	■	■	■	■	■
Algae	○	■	■	■	■	■	■	■
Pesticides	○	■	■	■	■	■	■	■

*Darker lines indicate highest levels of microbiological contamination; the paler lines indicate lower levels
(Source: Derwent River Catchment Management Plan, Hobart Water 2006)

In general the objectives are to:

- Develop a management plan for the protection and preservation of the high quality drinking water resources within the catchment,
- Identify and engage key stakeholders using a collaborative and consultative approach,
- Collaboratively identify and assess hazards to drinking water quality within the catchment,
- Develop and implement prioritised management actions to address significant hazards identified, and
- Integrate actions with existing catchment management plans.

While not formally integrated into land use planning the success of these Plans rely on effective stakeholder engagement and communications.